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PROSECUTIONS STALLED; CIA INVOLVEMENT MAY BE REASON
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WASHINGTON - IT SEEMED LIKELY EDITH REICH WOULD FACE PROSECUTION WHEN SHE BEGAN TALKING TO FEDERAL AUTHORITIES IN EARLY 1982.

DURING DAYS OF GRUELING QUESTIONING AT THE FORTRESS-LIKE U.S. ATTORNEY'S OFFICE IN LOWER MANHATTAN, THE AUSTRIAN-BORN FOREIGN TRADE REPRESENTATIVE TOLD AN INCREDIBLE TALE OF CRIME, CORRUPTION AND HER ROLE IN ONE OF THE LARGEST CORPORATE FRAUDS IN RECENT HISTORY.

SHE ADMITTED ARRANGING CLOSE TO \$120 MILLION IN RUSSIAN ORDERS - NEARLY ALL PHONY - FOR GOODS FROM DAYCO CORP., A BIG RUBBER AND PLASTICS MANUFACTURING COMPANY BASED IN DAYTON, OHIO. BUT SHE WAS NOT ALONE IN WRONGDOING; SHE INSISTED IN HER THICK EUROPEAN ACCENT, AND EVENTUALLY UP TO NINE OTHERS BECAME TARGETS OF POSSIBLE INDICTMENT ON CHARGES RANGING FROM U.S. CUSTOMS VIOLATIONS TO INCOME TAX EVASION. FOUR DIFFERENT FEDERAL AGENCIES INVESTIGATED; EVIDENCE WAS GATHERED FOR A GRAND JURY AND INDICTMENTS SEEMED IMMINENT.

BUT NOW THREE YEARS LATER, THE PROBE APPEARS STALLED AMID GROWING SPECULATION THAT THOSE WITH POSSIBLE CRIMINAL LIABILITY MAY NOT FACE PROSECUTION BECAUSE THE GOVERNMENT FEARS SENSITIVE INTELLIGENCE GATHERING SECRETS MIGHT BE REVEALED IF THEY WENT TO TRIAL.

THAT SPECULATION IS BOLSTERED BY FINDINGS OF A COX NEWSPAPERS INVESTIGATION WHICH SUGGEST THE CASE INVOLVES MUCH MORE THAN A MASSIVE CORPORATE SWINDLE THAT COST DAYCO'S SHAREHOLDERS MILLIONS. INSTEAD, IT HAS REVEALED A MYSTERIOUS STORY OF INTERNATIONAL INTRIGUE THAT RUNS ALL THE WAY FROM THE CENTRAL INTELLIGENCE AGENCY TO THE KREMLIN - A STORY THAT HAS SPANNED FEARS AMONG SOME MAJOR FIGURES IN THE CASE THAT DISCLOSURE OF DETAILS COULD COST THEM, OR OTHERS, THEIR LIVES.

AMONG THE FINDINGS:

- THAT PROMINENT NEW YORK ATTORNEY STUART JACKSON, A FORMER LAW PARTNER IN A NEW YORK FIRM WHERE CIA DIRECTOR WILLIAM CASEY WAS COUNSEL, HAS TOLD COLLEAGUES THAT HE ENGAGED IN INTELLIGENCE GATHERING IN THE SOVIET UNION AT CASEY'S URGING DURING THE PERIOD WHEN JACKSON REPRESENTED REICH IN HER DEALINGS WITH DAYCO.

- THAT JACKSON GREW CLOSE TO A SOVIET INTERPRETER IN MOSCOW AND, DESPITE WARNINGS SHE MIGHT BE CONNECTED WITH THE KGB, HELPED ARRANGE FOR HER TO EMIGRATE TO THE UNITED STATES.